

Office of Legislative Auditor

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Department of Public Service

January 2002

Audit Control # 02500734

Louisiana Revised Statute (R.S.) 39:87.3 requires the legislative auditor to provide an assessment of those agencies that are deficient in their capacity to execute the requirements relative to the production of performance progress reports to the Joint Legislative Committee on the Budget. This report gives the results of our examination of the performance data reported for all four programs of the Department of Public Service for the first quarter of fiscal year 2002.

The significant audit findings included in this report are as follows:

- Some of the department's internal controls do not offer assurance that data used to report performance indicators are reliable and valid.
- The values that the department reported for nine of its 22 (41%) key performance indicators for the first quarter of fiscal year 2002 were not reliable.

Sincerely,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

Background

The Louisiana Public Service Commission (hereafter referred to as the Commission) regulates public utilities and common carriers (transportation companies) operating within the state. The Commission is comprised of five elected members who serve overlapping terms of six years. The Department of Public Service (department) is responsible for performing the functions of the Commission. The department has four programs:

- The **Administrative Program** provides management oversight as well as technical and legal support to staff.
- The **Support Services Program** provides a consultant type function to the

Commission. This program gathers a variety of economical, legal, and statistical data that is used by administrative law judges in making recommendations to public service commissioners. Its mission is to manage administrative hearings, provide the Commission with accurate information with respect to the financial condition of companies subject to the Commission's jurisdiction, and provide technical support.

- The **Motor Carrier Registration Program** regulates companies that provide transportation services within and through the state. This program is comprised of two organizational sections: Administrative and Enforcement.

- The **District Offices Program** serves a public relations function by handling consumer complaints and providing information to the public. Individual district offices serve as the personal office of each public service commissioner and his or her staff. The locations of the district offices are as follows:
 - District 1: Mandeville, with a sub-office in Harahan
 - District 2: Baton Rouge, with a sub-office in Lafayette
 - District 3: New Orleans, with a sub-office in Baton Rouge
 - District 4: Eunice, with sub-offices in Lake Charles and Pineville
 - District 5: Shreveport, with a sub-office in Monroe

Exhibit 1 below shows the appropriation and positions authorized by the legislature for fiscal year 2002. Exhibit 2 on pages 4 and 5 shows the objectives and performance indicators for the department's four programs.

Exhibit 1		
Department of Public Service		
Appropriations for Fiscal Year 2002		
Program	Appropriation	Positions
Administrative	\$2,116,797	30
Support Services	1,754,569	26
Motor Carrier Registration	1,215,763	26
District Offices	1,884,383	37
Total	\$6,971,512	119
Source: Prepared by legislative auditor staff using data obtained from Act 12 of the 2001 Regular Legislative Session.		

Validity

Are the performance indicators for these four programs valid?

We determined that all of the performance indicators for the four programs of the department are valid. The validity of a performance indicator is determined by whether it is suitable for its intended use. Factors we used to gauge the validity of a performance indicator include whether it is relevant to the mission, goals and objectives of the program and whether it can be linked to a major function of the program. Another factor we used is whether the performance indicator is realistic or achievable.

Management Controls Assessment

Do the internal controls of the department offer assurance that the performance indicators and data are reliable and valid?

The department's internal controls need to be strengthened in order to assure the reliability and validity of performance indicator data. To assess the internal controls of the various programs, we interviewed department personnel responsible for collecting, inputting, processing and reviewing performance indicator data before they are entered into the Louisiana Performance Accountability System (LaPAS). We found that all four programs had similar internal control conditions. There were no written procedures for the inputting, processing or reviewing of performance indicator data for any of the programs.

Most of the data from which the department's performance indicators are compiled are collected manually. Mathematical calculations are typically performed manually on these data and they are then sent to the person responsible for compiling all performance data for entry into LaPAS. We determined that the collection and input controls over much of the data were weak.

We found numerous errors in the mathematical computations. In addition, the review controls are weak. Although a system of review is in place over the collection and input of performance data into LaPAS, that system is not implemented in such a fashion as to ensure the reliability and accuracy of the performance data.

For example, in the Administrative Program, one employee gathers hearing dates and order dates and manually calculates the length of time between the two dates. A second employee reviews the first employee's work for glaring errors but does not verify the calculations. Finally, a third employee reviews the report prepared by the second employee before it is entered into LaPAS. When we did a recalculation, we found a 34% error rate in the calculation of the number of days between the two dates. These errors were not discovered in either of the two reviews. In this case, the review system is structurally sound but needs to be strengthened.

Reliability

Are the performance indicators reliable?

We found that the values of 10 key performance indicators were reliable. The values reported for nine of 22 key performance indicators (41%) for the first quarter of fiscal year 2002 were not reliable. We could not determine the reliability of three key performance indicators.

Administrative Program

Two of five key performance indicators for the Administrative Program had unreliable values:

- *Average number of days to issue orders*
- *Percentage of program objectives met*

After a case has been filed and an administrative law judge has held a hearing, the Commission will issue an order. Of the 50 orders issued in

the first quarter of fiscal year 2002, the calculation of the number of days to issue the order was done incorrectly for 17 (34%) of them. These errors resulted from incorrect calculations of the length of time between the date a case was heard and the date an order was issued, and from staff using the wrong date in the calculation. These calculations are performed manually, which contributed to the high error rate.

The department reported that it achieved 100% of its objectives for the Administrative Program. One objective of this program is to ensure that at least 95% of Public Service Commission orders will be issued within 30 days of completion. The value reported for the performance indicator linked to this objective showed that only 80% of orders were issued within 30 days. Thus, this objective was not met in the first quarter of fiscal year 2002. The other objective of this program is to resolve all rate cases within 10 months from the date of official filing. The values reported for the performance indicators linked to this objective were that 0% of rate cases were completed within 10 months and that it took an average of 11 months to complete rate cases. Thus, rate cases were not completed within 10 months and this objective was not met. Therefore, this program did not achieve 100% of its objectives, and the reported value of 100% is not reliable.

Support Services Program

The department reported a value of \$184.5 million for the key performance indicator *Direct savings to ratepayers*. We determined that this value should have been \$126.5 million; therefore, the first quarter value reported was **overstated** by almost **\$58 million**, or **45.8%**. This miscalculation was due to a spreadsheet formula error.

(continued on page 6)

Exhibit 2
Department of Public Service
Objectives and Performance Indicators
Fiscal Year 2002-1st Quarter

	Target	Value Reported
Administrative Program		
Objective 1: To provide the administrative oversight, leadership and support services necessary to efficiently gain the objectives established for all department programs.		
Performance Indicator: <ul style="list-style-type: none"> Percentage of program objectives met 	100%	100%
Objective 2: To ensure that at least 95% of Public Service Commission orders for which this program has responsibility will be issued within 30 days of adoption.		
Performance Indicators: <ul style="list-style-type: none"> Average number of days to issue orders Percentage of orders issued within 30 days Number of orders issued 	20 85% N/A	23.2 80% N/A
Objective 3: To resolve all rate cases within 10 months from date of official filing.		
Performance Indicators: <ul style="list-style-type: none"> Percentage of rate cases completed within 10 months Average length of time for completion of rate cases (months) Number of rate cases heard 	65% 11 N/A	0% 11 N/A
Support Services Program		
Objective 1: To generate \$562 million in direct and indirect savings to utilities rate payers through prudent review of existing and proposed rate schedules.		
Performance Indicators: <ul style="list-style-type: none"> Direct savings to rate payers (millions) Indirect savings to rate payers (millions) Number of utility filings for rate increases 	\$180.00 \$1.833 N/A	\$184.46 \$1.833 N/A
Objective 2: To issue 90% of proposed recommendations within 120 days of the completion of hearing and receipt of all necessary information.		
Performance Indicators: <ul style="list-style-type: none"> Percentage of recommendations issued within 120 days Average length of time to issue proposed recommendation Number of cases heard 	90% N/A N/A	100% N/A N/A

See Notes on page 5. →

Exhibit 2 (Continued)
Department of Public Service
Objectives and Performance Indicators
Fiscal Year 2002-1st Quarter

	Target	Value Reported
Motor Carrier Registration Program		
Objective 1: To provide timely service to the motor carrier industry by processing 100% of all registrations within 5 days of receipt of complete information.		
Performance Indicators:		
• Percentage of all registrations processed within 5 days	100%	100%
• Number of registration applications received	N/A	N/A
• Amount of registration collections	N/A	N/A
Objective 2: To maintain the rate of violation of motor carrier laws and regulations at 12% of vehicles inspected.		
Performance Indicators:		
• Percentage of inspections that result in violations	13%	13%
• Number of inspections performed	11,000	11,589
• Amount of collections from violations	N/A	N/A
District Offices Program		
Objective 1: To handle complaints received from the public.		
Performance Indicators:		
• Number of complaints received in District 1	606	674
• Number of complaints received in District 2	500	512
• Number of complaints received in District 3	660	655
• Number of complaints received in District 4	1500	1402
• Number of complaints received in District 5	1600	1706
• Average length of time to process complaints in District 1 (days)	4	1.4
• Average length of time to process complaints in District 2 (days)	4.5	4.3
• Average length of time to process complaints in District 3 (days)	3	3.1
• Average length of time to process complaints in District 4 (days)	4	2
• Average length of time to process complaints in District 5 (days)	3	3
Objective 2: To maintain a system of regulation of utilities and motor carriers such that no more than one successful legal challenge is made to the issues promulgated by the Commission.		
Performance Indicators:		
• Number of successful legal challenges	0	0
• Number of issues promulgated	N/A	N/A

Note: Key indicators are shown in bold.

N/A = Values for supporting performance indicators are required to be reported for only the second and fourth quarters of each fiscal year.

Source: Prepared by legislative auditor staff using data obtained from the Louisiana Performance Accountability System.

The value reported for *Indirect savings to ratepayers* was \$1.83 million. This value included \$1.78 million that was also included in the *Direct savings to ratepayers* total. The \$1.78 million represents 97 % of the total \$1.83 million reported for this performance indicator. The Commission's staff could not readily resolve this double counting issue. Therefore, we could not determine whether the reported value for this key indicator is reliable.

Motor Carrier Registration Program

The values of all three key performance indicators for the Motor Carrier Registration Program are reliable. The key performance indicator *Percentage of all registrations processed within five days* was reported correctly. However, it was not calculated correctly. This was due to an incorrect procedure being used in determining the *number* of registrations processed. However, because virtually all registrations are processed within five days, the reported value of this indicator was not affected.

The calculation of the supporting performance indicator "number of registration applications received" was significantly understated for the first quarter of fiscal year 2002 by 301 registrations. The department calculated 439 registrations for the quarter, but the correct total was 740 registrations.

District Offices Program

Of the 11 key performance indicators for the District Offices Program, only three (27%) were reliable for the first quarter of fiscal year 2002. These three were the two performance indicators for District 2 and the *Number of successful legal challenges*. For *Average length of time to process complaints in District 2*, we only tested the reliability of complaints that were closed. There were complaints not yet marked as closed on the district's log sheets (some several months old) for which we could not

compute the length of time to close. We could not test the reliability of the performance indicator values for District 5 because this district disposes of its log sheets after performance data have been reported.

There are two key indicators for each of the five districts:

- *Number of complaints received*
- *Average length of time to process complaints*

The definition of "complaint" varies among the districts, thus rendering the values reported for these two performance indicators unreliable. For example, District 4 counts instances such as hang-ups, wrong numbers and requests for other agency's telephone numbers as complaints, whereas other districts do not.

In calculating the number of days to resolve complaints, we found many instances of incorrect calculations. For example, in District 1 a complaint that opened on July 12 and closed on July 13 was computed as taking two days to resolve. In another instance, however, a complaint opening on July 10 and closing on July 12 was also computed as taking two days to resolve. This inconsistency was found in abundance throughout three districts.

Also, there were several instances of incorrect calculations of the number of complaints received. For example, for the first quarter of fiscal year 2002 in District 3, the total number of complaints received was calculated incorrectly for July, August, and September. As a result, the agency reported receiving 655 complaints during the quarter, when in fact it received only 569 (13% less).

Other Matters

Manual Calculations. The department computes many of its performance indicator values using manual calculations. This situation increases the chance of human error in performing the calculations. The department should increase its use of electronic spreadsheet and/or database programs to perform calculations.

Consistency. The definition of what constitutes a “complaint” varies among the districts. Also, the method of calculating the number of days it takes to resolve a complaint not only varies among, but also within, districts. The department should clarify these definitions and processes, particularly in the District Offices Program.

Need more information?

Contact Dan Kyle, Louisiana Legislative Auditor, at (225) 339-3800.

A copy of this report is available at our Web site (www.lla.state.la.us).

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Fifty-three copies of this public document were produced at an approximate cost of \$104. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.
